Approval of RBIs to new private sector banks

4281. SHRI C. RAMACHANDRAIAH:
SHRI VIJAY J. DARDA:

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has given its approval to the proposals for private sector banks;

(b) if so, what are the details thereof togetherwith the details of proposals under consideration;

(c) what is the number of private sector banks at present;

(d) whether RBI's policy on new banks was kept in cold storage;

(e) if so, the reasons for sanctioning private sector banks in the country; and

(f) whether any limit has been proposed for giving sanction for opening of private sector banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) Yes, Sir, Reserve Bank of India (RBI) has granted 'in-principle' approval, in February, 2002, for establishing two new banks in the private sector to the following applicants :—

(i) Shri Ashok Kapur and two other banking professionals Shri Harkirat Singh and Shri Rana Kapoor with Rabobank, Netherland; and

(ii) M/s. Kotak Mahindra Finance Ltd., a non-banking financial company.

(c) There are 31 private sector banks in India as on 31st March, 2002.

(d) and (e) The Committee on Financial System (Narasimham Committee-I) set up in November, 1991 had, *inter-alia*, recommended freedom of entry to new banks in private sector to introduce greater competition leading to higher productivity and efficiency in the banking sector. Further, Working Group set up by RBI in January, 1998 also recommended that in view of the low bank credit of GDP ratio, increase in saving potential of the society and improvement in banking habits etc., new banks in private sector may be set up.

(f) The in-principle approval is valid for one year.